

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of DeWitt - Downtown Dev. Authority	County Clinton
Fiscal Year End 6/30/06	Opinion Date 9/7/06	Date Audit Report Submitted to State 11/7/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

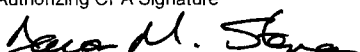
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	None	
Other (Describe)	<input checked="" type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	Zip 48823
		License Number 1101024055	

City of DeWitt

**Downtown Development Authority
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

City of DeWitt

Downtown Development Authority

Clinton County, Michigan

June 30, 2006

BOARD OF DIRECTORS

Dan Peckham	Chairman
Ray Knick	Vice-Chairman
Fred Motz	Treasurer
Alan Woodbury	Secretary
Paul Hartlieb	Director
Beth Herendeen	Director
Paul Hughes	Director
Linda Hundt	Director
Paul Opsommer	Director

City of DeWitt
Downtown Development Authority

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June 30, 2006

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of DeWitt Downtown
Development Authority
DeWitt, Michigan

We have audited the component unit financial statements of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 7, 2006

City of DeWitt, Michigan Downtown Development Authority

Management's Discussion and Analysis June 30, 2006

The City of DeWitt Downtown Development Authority (the DDA) is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The intent of this standard is to provide citizens, taxpayers, customers, and investors with a better understanding of how the DDA's money and other assets are managed.

This discussion and analysis of financial performance provides a comparison overview of the DDA's financial activities for FY 04-05 and 05-06. Please read this document in conjunction with the DDA's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 05-06:

- Assets of the DDA exceeded its liabilities at the close of FY 05-06 by \$104,884.
- The DDA's total net assets decreased by \$20,621 as a result of current year activity.

Using this Annual Report

This annual report consists of several financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view which reveals how resources were spent during the year and what resources are available for future spending. Fund financial statements also report the operations of the DDA in more detail than the government-wide financial statements by providing information about the DDA's most significant fund.

The DDA as a Whole

The following table shows, in condensed format, a comparison of net assets of the DDA as of June 30, 2005 and June 30, 2006.

	<u>04-05</u>	<u>05-06</u>
Assets		
Current assets	\$ 125,505	\$ 104,884
Liabilities		
Current liabilities	-	-
Net Assets		
Unrestricted	<u>\$ 125,505</u>	<u>\$ 104,884</u>

**City of DeWitt, Michigan
Downtown Development Authority**

**Management's Discussion and Analysis
June 30, 2006**

The following table shows the changes in net assets during the previous and current year.

	<u>04-05</u>	<u>05-06</u>
Revenue		
General revenue:		
Taxes	\$ 70,764	\$ 88,048
Interest	2,597	3,744
Miscellaneous	<u>24,462</u>	<u>38,579</u>
Total revenue	297,823	130,371
Program Expenses		
Contractual Services	19,581	20,139
Advertising & Promotion	6,245	6,625
Audit	800	800
Operating expenses	15,701	16,837
Office supplies	356	985
Other	92	100
Improvements	<u>68,720</u>	<u>105,506</u>
Total expenses	<u>11,495</u>	<u>150,992</u>
Change in Net Assets	<u><u>\$ (13,672)</u></u>	<u><u>\$ (20,621)</u></u>

Governmental Activities

The DDA governmental revenues totaled \$130,371 with the largest revenue source being property taxes. Property taxes make up approximately 68% of the total governmental revenue.

The DDA incurred expenses of \$150,992 during the fiscal year, the two largest expenses being improvements (\$105,506) and contractual services (\$20,139). Improvements represent approximately 70% and contractual services represent approximately 13% of the annual expenditures.

Capital Asset Administration

The DDA does not own or maintain any capital assets.

Long-Term Debt

The DDA does not have any long-term debt.

Contacting the DDA

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the DDA's finances and demonstrate the DDA's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of DeWitt, 414 East Main Street, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

City of DeWitt

Downtown Development Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

June 30, 2006

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 104,884	\$ -	\$ 104,884
LIABILITIES	\$ -	-	-
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	104,884	(104,884)	-0-
TOTAL LIABILITIES AND FUND BALANCE	\$ 104,884	-	-0-
NET ASSETS			
Unrestricted		\$ 104,884	\$ 104,884

See accompanying notes to financial statements.

City of DeWitt

Downtown Development Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Contractual services	\$ 20,139	\$ -	\$ 20,139
Advertising and promotion	6,625	-	6,625
Audit	800	-	800
Operating expenses	16,837	-	16,837
Supplies	985	-	985
Improvements	105,506	-	105,506
Other	100	-	100
TOTAL EXPENDITURES/EXPENSES	150,992	-0-	150,992
PROGRAM REVENUES	-	-	-
NET PROGRAM EXPENSE	(150,992)	-0-	(150,992)
GENERAL REVENUES			
Property taxes	88,048	-	88,048
Interest	3,744	-	3,744
Other	38,579	-	38,579
TOTAL GENERAL REVENUES	130,371	-0-	130,371
EXCESS OF REVENUES (UNDER) EXPENDITURES	(20,621)	20,621	-0-
CHANGE IN NET ASSETS	-	(20,621)	(20,621)
Fund balance/Net assets			
Beginning of year	125,505	-	125,505
End of year	\$ 104,884	\$ -0-	\$ 104,884

See accompanying notes to financial statements.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeWitt Downtown Development Authority was created on May 7, 1981, pursuant to Act 197 of the Public Acts of Michigan, 1975 as amended. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the City of DeWitt ordinance establishing the Authority.

The primary revenue of the City of DeWitt Downtown Development Authority is "tax increment revenue". The taxing units are required by law to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the captured assessed value of all real and personal property located in the development area. The "captured assessed value" is basically defined as the amount in any one year by which the current assessed value of the project area exceeds the initial assessed value.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the City of DeWitt Downtown Development Authority. The Authority is considered a component unit of the City of DeWitt, Michigan and is discretely presented in the City of DeWitt's (the Primary Government) financial statements. A copy of the City's audited financial statements may be obtained at the DeWitt City Hall.

2. Basis of Presentation and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and property taxes and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The major fund of the Authority is:

Special Revenue Fund - The general operating fund is used to account for all financial resources of the Authority which are restricted to expenditures for downtown development purposes.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting

The annual budget of the Authority prepared by Authority management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget is prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America.

6. Cash

Cash consists of the Authority's checking and savings accounts.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2006, the carrying amounts of the Authority's deposits were \$104,784 and the bank balance was \$106,806, of which \$105,663 was covered by federal depository insurance. The balance of \$1,143 was uninsured and uncollateralized. The Authority had \$100 of imprest cash on hand.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's).

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH - CONTINUED

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE C: RISK MANGEMENT

The Authority, as a component unit of the City of DeWitt, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.

NOTE D: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule included as required supplementary information to the basic financial statements, the Authority's budgeted expenditures in the Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Authority have been adopted at the fund level for the Special Revenue Fund.

During the year ended June 30, 2006, the Authority incurred expenditures in the Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Fund	\$ 123,150	\$ 150,992	\$ 27,842

City of DeWitt

Downtown Development Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 73,500	\$ 90,000	\$ 88,048	\$ (1,952)
Interest and rent	2,000	3,500	3,744	244
Other	4,400	4,900	38,579	33,679
TOTAL REVENUES	79,900	98,400	130,371	31,971
EXPENDITURES				
Current				
Contractual services	22,500	22,500	20,139	2,361
Advertising and promotion	6,000	14,000	6,625	7,375
Audit	800	850	800	50
Operating expenses	21,900	14,600	16,837	(2,237)
Supplies	750	850	985	(135)
Improvements	65,700	70,000	105,506	(35,506)
Miscellaneous	350	350	100	250
TOTAL EXPENDITURES	118,000	123,150	150,992	(27,842)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(38,100)	(24,750)	(20,621)	4,129
Fund balance, beginning of year	125,505	125,505	125,505	-0-
Fund balance, end of year	<u>\$ 87,405</u>	<u>\$ 100,755</u>	<u>\$ 104,884</u>	<u>\$ 4,129</u>